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MNEWBILL
USDOC FOR 4530/MAC/AMESA/OSAO/LDROKER/ASTERN
USDOC FOR 3131/USFCS/OIO/DHARRIS
USDOC FOR 6430/ITA/TD/ITI/KJENCI/EHOLLOWAY
USDOC FOR 532/BIS/MDIPAULA-COYLE
USDA FOR FAS/ITP/MEYER/ARGUETA
DEPT PASS USTR FOR S.ASIA - AWILLS/BSTILLMAN
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SUBJECT: RE-TOOLING THE HTCG: EMBASSY'S THOUGHTS

REFERENCES: A) NEW DELHI 2299
B) NEW DELHI 2849
C) SECSTATE 171713

1. (SBU) SUMMARY. As we plan for the December 1-2 meeting of the High Technology Cooperation Group (HTCG) in New Delhi, the Embassy HTCG working group -- Econ, Pol, Sci, FAS, ODC, FCS - met on September 20. The consensus of our group is that the focus of the HTCG in the post-NSSP era should undergo a gradual, but important, shift from drafting of export control legislation in India to trade facilitation issues, which will require adherence to export control laws of the US as well as of India. In addition to this consensus, from Mission's perspective, several conclusions are worth noting. We have received indications from Indian Ministries that they share our priorities for discussion: biotechnology, defense trade, nanotechnology, IT and IPR issues. Mission believes that both governments ought to strive to rope in the private sector so that it can initiate business activities in these areas. The CEO Forum is uniquely positioned to support this effort.

2. (SBU) Equally important to the future success of the HTCG is that both governments bring into the HTCG representatives from stakeholder agencies who have technical expertise and who can work effectively with the private sector. While Mission has had a productive collaboration with USDOC/BIS on the export control legal and implementation front and the HTCG, trade facilitation will also require robust participation from USTR, DoD, HHS, USDA, DOJ, and other agencies. On the Indian side, it will be essential that MEA, as the lead/coordinating agency, facilitate rather than inhibit GOI inter-ministerial and private sector participation. Mission believes that, as we shift into a trade facilitation mode, the Ministry of Commerce and Industry will have to slowly assume the leading GOI role and ultimately take over responsibility from MEA as HTCG coordinator. Mission's recommendations for implementing this strategy follow. END SUMMARY.

NARROWING HTCG FOCUS WHILE BROADENING INTERAGENCY BUY-IN

3. (SBU) Mission recommends narrowing the HTCG focus by developing specific objectives for IT, biotech and defense technology. At the same time, USDOC, as the coordinating agency, perhaps should ensure that other agencies are extensively involved and present at future HTCG meetings. As a starting point, Mission suggests the following agencies be included: USDOC (FCS and BIS), USDA (FAS), State (EB, OES, SA), USTR, USPTO, DOJ, DHS (USCS), Treasury, NSF, and DoD. Once the USG identifies specific objectives, it will need to bring to the table those who have the knowledge and a mandate to handle policies that can facilitate and increase bilateral trade and investment in high technology.

4. (SBU) As agencies join in, USDOC should perhaps brief new players on USDOC's accomplishments on the HTCG to date. We also must ensure that the private sector track has the right mix. In our opinion, senior level representatives from USIBC, relevant private industries (IT, biotech, nanotech, and defense) and major R&D universities could be effective players. As a matter of fact, one of our goals in the HTCG should be to encourage India to pursue the US model of R&D, i.e., which leverages government, university and private sector collaborations.

ROLE OF THE PRIVATE SECTOR IN THE HTCG

15. (SBU) The CEO forum, with 20 major US and Indian companies representing roughly USD 8 trillion in capital, could play an important role in the HTCG, by identifying major private sector projects it could launch in the coming months. We are confident that nothing beats a few large projects to entice GOI participation from the top down. With this incentive, the GOI bureaucracy will have no other choice but to engage us on policy initiatives that could encourage defense, biotech, IT, and overall infrastructure US-India collaborations. By shifting the focus of the HTCG to developing big visionary projects, policy changes will then naturally follow.

DEFENSE TECHNOLOGY: DOD PARTICIPATION ESSENTIAL

16. (SBU) Mission believes that DOD's strong participation in the HTCG is essential as a robust USG strategy for defense sales in India is required to enhance the long-term Indo-US strategic partnership (Ref B). As the complexity and range of issues in this area is large, DoD ought to encourage participation of those who can discuss in detail and with authority questions/issues that relate to defense technology, munitions licensing, defense procurement, and trade promotion.

17. (SBU) At a minimum, there ought to be a "defense basics" component to HTCG sessions to complement the more advanced topics that previous HTCG meetings have addressed. The USG must be prepared to continually brief the unfamiliar nuts and bolts of our defense sales system to potential Indian buyers. Such discussions would also allow the defense sector to understand the peculiarities of the Indian defense acquisition process. We can expect the GOI to raise offsets with us. We ought to encourage the GOI to pursue offsets via private sector channels.

TAA's: EXPLAIN AND EXPLAIN - THE GOI STILL DOESN'T GET IT

18. (SBU) Smooth execution of Technical Assistance Agreements (TAAs) and International Traffic in Arms Regulations (ITAR) provisions is essential for progress in space and other areas of cooperation that involve sharing of sensitive USG technology with India. The Indian Space Research Organization (ISRO) continues to express frustration and question the need for ITAR-related provisions in our TAAs. The Ministry of External Affairs is not far behind. As the ISRO TAA problem has been festering for nine months now, we believe that the USG should pursue a two-track TAA policy in the HTCG. One is to raise the TAA requirement at a high political level (e.g. Foreign Secretary Saran), while continuing to engage at the working level (State, DoD, USDOC, DOJ) to encourage GOI to abide by TAA requirements.

IPR REMAINS A CROSS-CUTTING ISSUE

19. (SBU) IPR protection cuts across almost every HTCG topic, whether related to biotechnology (both pharmaceutical and agriculture), nanotechnology, IT, or defense technology. As such, the need to achieve Indian buy-in on IPR protection requires strong coordination among all USG agencies, but especially among State, USPTO, USTR, and USDOC. By bringing the right experts into the HTCG, the HTCG can continue its important role in engaging India in across-the-board improvements for IPR protection.

CHANGE THE FOCUS ON NANOTECHNOLOGY AND AG BIOTECH

10. (SBU) Mission understands that USG agencies believe that agricultural biotechnology ought not to be part of the HTCG. We concur as we attempt to shift HTCG focus and other fora are discussing this topic already. We believe that the nanotechnology focus ought to be on how India can add value in an area where the private sector is the driver of development. Thus, we recommend that State, NSF and USDOC discuss USG nanotechnology activities in the HTCG context when Minister of Science Kapil Sibal will hold policy discussions in Washington on October 18 (Ref. C).

COMMENT

11. (U) USDOC and State might consider convening a PCC to discuss these issues and agree on a way forward. If convened at an early enough time in the day, Mission would welcome the opportunity to participate by DVC.

